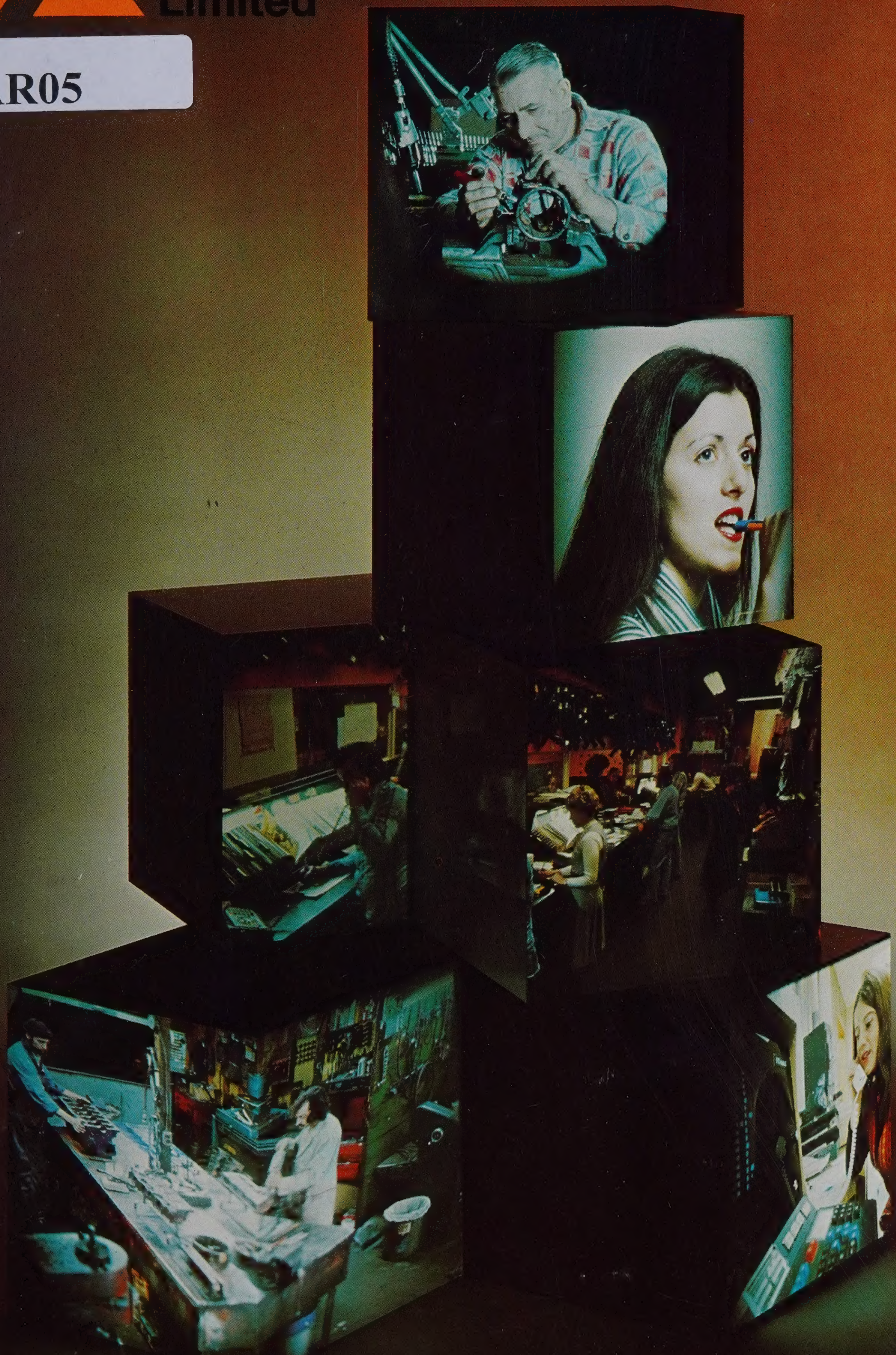
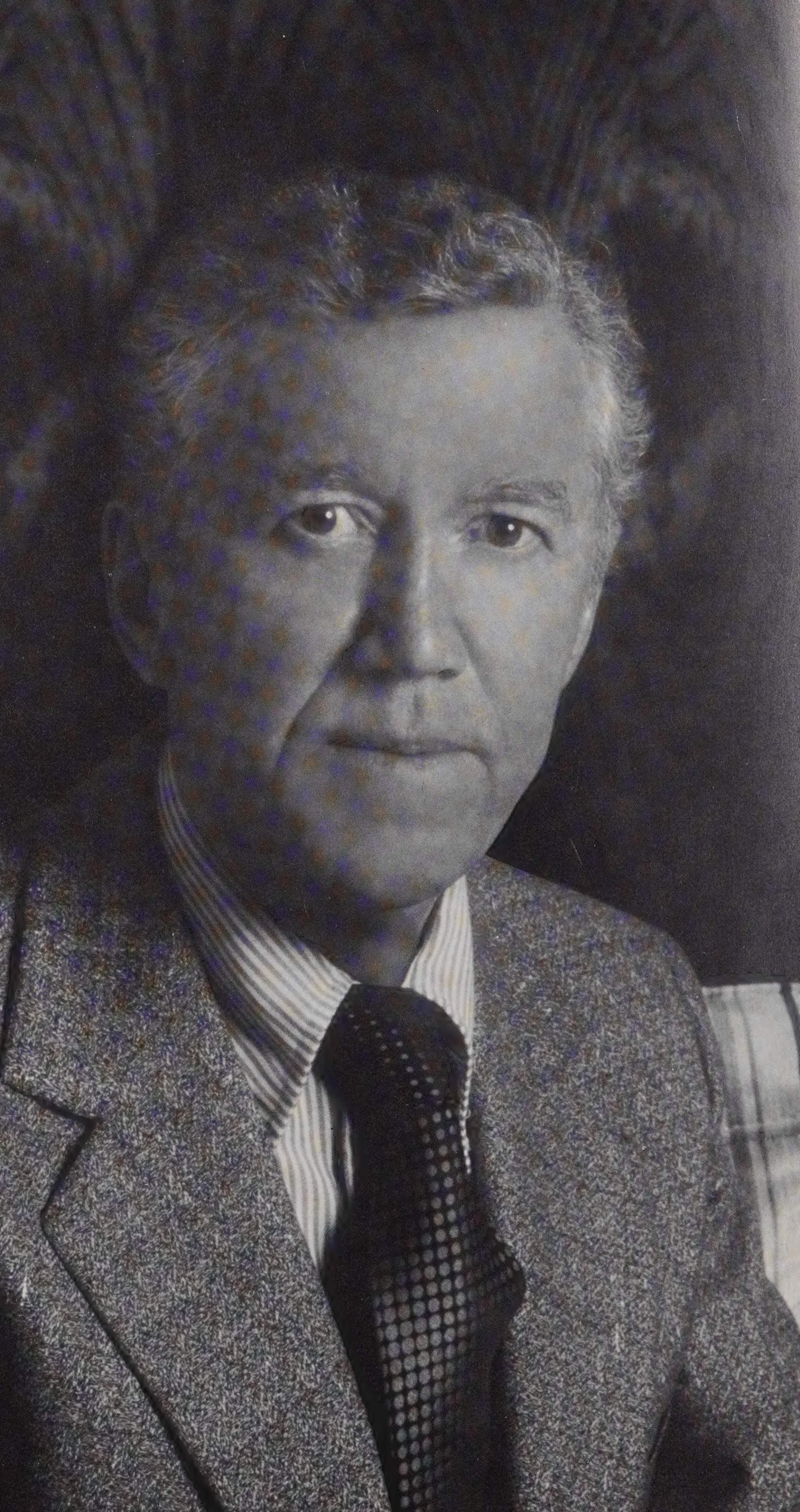
Acklands Limited

1976 Annual Report





Leonard Wolinsky
1912 — 1976

Leonard Wolinsky, who served for 17 years as Acklands' Chairman of the Board, died in November of 1976.

With an air of quiet dignity, he encouraged a policy of aggressive corporate growth both through internal expansion and acquisitions. Under his guidance Acklands grew from a small prairie auto parts distributor to one of Canada's largest corporations. His aim was to enhance the development of the company he headed, the well-being of his fellow worker and his Country. These goals comprise the philosophy and strength of Acklands today.

Mr. Wolinsky was a devoted family man, active in religious and community affairs and was widely known as a philanthropist and staunch Canadian.

He held the respect and admiration of all those who came in contact with him; not only for his business acumen but also for his humility. He was an inspiration for those who worked with him and for those who will follow.

Cover: *"Building on People"*

Acklands' business

Acklands is Canada's leading independent merchandiser of automotive replacement parts and accessories. Three-quarters of the company's business is in the distribution of automotive after-market products and in the related industrial equipment and supplies field. Canada's "aftermarket" is comprised of the parts and equipment needed to service and maintain passenger vehicles, industrial, marine and outdoor power equipment. The automotive aftermarket has four sales levels: the manufacturer, the warehouse distributor, the jobber and the automobile repair facility.

The balance of Acklands' sales is derived from the marketing and distribution of leisure, home entertainment and electronics products.

Acklands employs more than 3,500 people and supplies customers from 332 distribution centres in cities and towns throughout Canada.

Annual meeting

The Annual Meeting of Acklands Limited will be held on Tuesday, May 17, 1977 at 2:30 p.m. in the Regency Ballroom of the Hyatt Regency Hotel, 21 Avenue Road, Toronto, Ontario, Canada.

Contents

In Memoriam — Leonard Wolinsky	
Financial Highlights	1
Report to Shareholders	2
Financial Review	8
Operations Review	12
Consolidated Financial Statements	
Balance Sheet and Auditors' Report	20
Statement of Income	22
Statement of Retained Earnings and	
Contributed Surplus	23
Statement of Changes in Financial Position	24
Notes to Financial Statements	25
Five Year Financial Summary	29
Directory (Inside Back Cover)	
Board of Directors	
Officers and Staff	
Corporate Data	

Pour un exemplaire du présent rapport en francais, veuillez vous adresser au Siège administratif d'Acklands.
This report is available in French. For a copy please contact the Executive Office of Acklands.

Management change

Because of the death of Mr. Leonard Wolinsky, Mr. Hyman Bessin has moved from President to Chairman of the Board, and Mr. Nathan Starr, formerly Executive Vice-President, has assumed the position of President.

Cover: *"Building on People"*

Financial Highlights

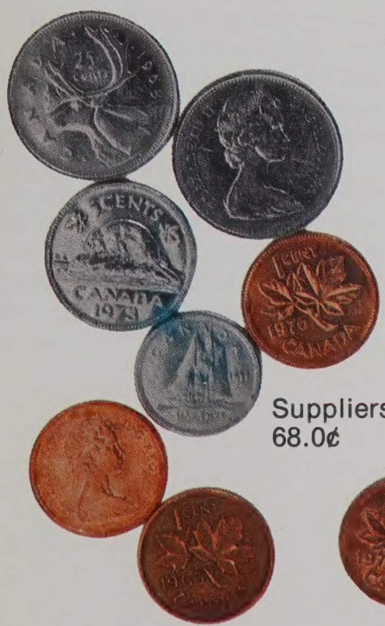
	1976	1975
***Sales**	**$289,203,489**	$255,386,891
Income before taxes and extraordinary item	**5,877,537**	16,348,096
Income after taxes		
Including extraordinary item	**3,472,474**	7,715,164
Before extraordinary item	**3,304,801**	7,586,139
Earnings per common share — primary		
Before gain on sale of fixed assets and extraordinary item	**1.10**	2.50
Gain on sale of fixed assets	**.11**	.44
Income before extraordinary item	**1.21**	2.94
Net income	**1.28**	2.99
Dividends paid		
Preference shareholders	**244,859**	253,862
Common shareholders	**1,207,596**	1,200,726
Dividends paid per common share	**.48**	.48
Shareholders' equity	**42,112,643**	40,469,383
Equity per common share	**15.27**	14.43
Total assets	**$180,436,146**	$181,240,275

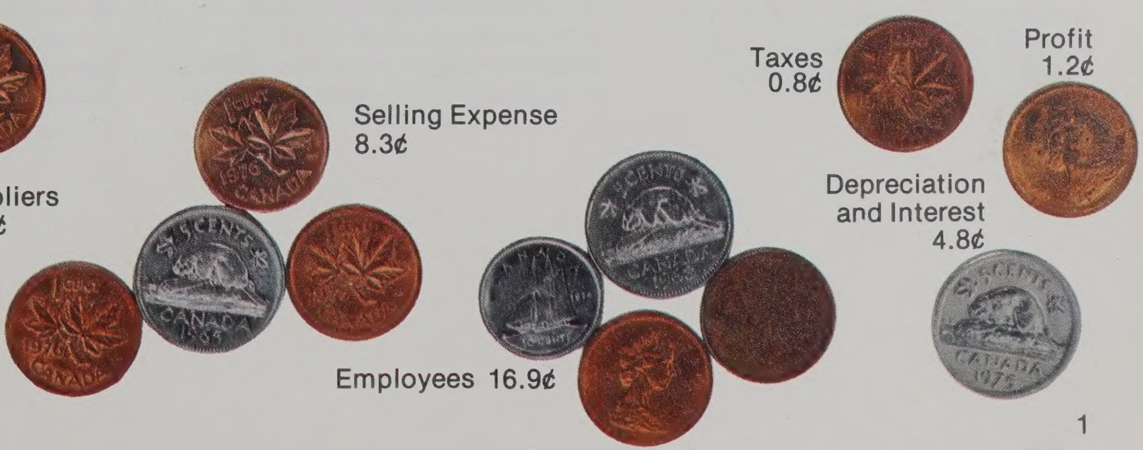
*Before eliminating sales of closed branches

Distribution of the 1976 sales dollar

Acklands earned 1.2¢ on each dollar of sales in 1976. Shareholders received 0.5¢ in dividends and the remaining 0.7¢ was reinvested in company operations.

The 1976 profit was less than half the 3.0¢ earned in 1975. The decline reflected substantial increases in wages, selling expense and interest to finance company business. Under inflation controls, these expenses could not be recovered through higher prices and weak demand inhibited higher unit volume.





"... consolidation has set the company on a course of renewed growth and improved profits."

Report to Shareholders

Acklands did not have a good year. Simply stated, costs, particularly wage expense, ran far ahead of price increases. The ratio of these two factors determines profit. Our expenses as a percentage of sales rose by 21 percent while overall price increases averaged less than six percent.

In mid-1976, with profitability declining and business conditions deteriorating, management undertook a program of rigorous consolidation, which is still continuing. Thirty-four locations were closed or integrated with others. This action contributed to lower earnings last year but we believe that consolidation has set the company on a course of renewed growth and improved profits. Our expectations for the future are greater now than they have ever been in the past.

Earnings Down

Acklands achieved record sales in 1976 of $289.2 million, up 13 percent from the previous year. However, after-tax income, before an extraordinary gain, declined 56 percent to $3.3 million from the $7.6 million achieved in 1975. Losses associated with closed branches amounted to $2 million.

An extraordinary gain of $168,000 brought final net income to $3.5 million, or $1.28 per common share.

Sales and selling costs for both 1976 and 1975 have been re-stated to eliminate the results of the closed branches and reflect the company's on-going operations only. Sales of closed branches were $9.9 million in 1976, for a net adjusted sales volume of $279.3 million. Sales for 1975 were $255.4 million before an adjustment of $15.6 million from closed operations. The re-stated sales volume for 1975 is $239.8 million. Year-end results are examined in more detail in the Financial Review section of this Report.

Acklands originally predicted that 1976 would be a year of improved earnings. First quarter results were the highest in the company's history. This forecast soon proved to be overly optimistic as both the economic environment and Acklands' own performance were disappointing. Four important problems were responsible for the failure to meet forecasts:

The A.I.B. — Acklands applauded the formation of the Anti-Inflation Board in the expectation that it would reduce inflationary pressures. However, constant changes in regulations and the complexity of the program made its impact on the company difficult to evaluate until later in 1976. Guidelines set under the A.I.B. program made it extremely difficult to hold salary demands to normal levels; eight percent became automatic. Wage costs and employee benefits went up dramatically. Everything also cost more: vehicles and the fuel to keep them running, rent, utilities and tax to keep the doors open; communications and travel to service customers. These higher costs were not offset by equivalent price increases. The end result for Acklands was a small increase in gross margins while expenses continued to escalate. Profits consequently declined substantially.

Strikes — Sales of industrial equipment and supplies were adversely affected by continuing labour strife. Automotive fleet business was also down. A reduction in work stoppages was thought to be a certain benefit of the A.I.B. program, given the futility of strike action, but 1976 proved to be another disastrous year. Mining and forestry, two major Acklands customers, were shut down during prolonged periods and many of our industrial branches in British Columbia, Manitoba, Ontario and Quebec consequently failed to meet budgetary targets.

Capital Spending — A cornerstone of Acklands' expectations for 1976 was higher capital spending, especially from large corporations. Federal Government surveys

indicated an upswing in spending intentions among the industries served by Acklands. But as the Federal Finance Minister now admits, the A.I.B. has discouraged business spending and depressed the business climate. Corporate earnings barely advanced in 1976 and capital spending collapsed. Over the summer months, business investment fell at a shocking annual rate of 16 percent in real terms. As a result, sales of machine tools and construction equipment were poor and this added significantly to Acklands' inventory carrying costs. Provincial taxation policies for the mining sector, Saskatchewan's feud with the potash and oil industries and a general decline in exploration activity also affected Acklands' sales of equipment and supplies.

Consumer Spending — Demand for leisure products was a casualty of the slower-than-expected rebound in consumer spending during 1976. Expenditures continued to lag behind gains in real disposable income while surprisingly strong new car sales diverted buying power from big ticket recreational items. Demand for leisure products was further affected by high interest rates, which discouraged dealer participation in floor plans. As announced earlier, the loss of the Mercury and Evinrude franchises in British Columbia chopped nearly

Nathan Starr
President

Hyman Bessin
Chairman of the Board

"... the program was expanded to become the most thorough review of operations ever undertaken at Acklands."

$1.2 million in pre-tax profits from last year's results. Overall, leisure sales suffered and performance was well below expectations for the year.

And A Year Of Consolidation

Retrenchment had already been made a priority for 1976 following the rapid growth of the previous four years, but as conditions worsened, the program was expanded to become the most thorough review of operations ever undertaken at Acklands. Costs relating to consolidation have been fully expensed, substantially reducing year end results. However, management is confident that the improvements realized will add significantly to long-term profitability.

Some of the most important steps taken were:

Operations Aligned — A number of operations were shut down during 1976 which will reduce overhead and inventory expense. The Ontario Machine Tool Division was merged with its sister operation in Alberta. The British Columbia Record Division was also amalgamated with its Alberta counterpart. The British Columbia Division of Canadian Electronics Limited, consisting of three branches, was closed and inventories shifted to Alberta where C.E.L. has continued to prosper.

B.C.'s Automotive and Industrial Division underwent a major reorganization. Seventeen branches were either closed or merged with other locations. Two Vancouver central warehouses were also combined. In Alberta, three Canadian Electronics branches were closed. In Regina, a major new warehouse was constructed, which will consolidate eight operating units in the one location. In Manitoba, two warehouses were amalgamated and several other divisions were integrated.

Both the Industrial and Leisure Products Divisions were restructured in Ontario. Three Toronto industrial locations and the Provincial administrative facilities were combined. This integration has resulted in considerable savings and strengthened overall industrial operations. The Ontario leisure products warehouse was sold and that Division merged into an existing Acklands facility.

As part of the consolidation program, ten company-owned branches were converted to associate status during 1976. The associate program, a form of franchising, provides for marketing support and financial assistance to an independent businessman in return for an exclusive agreement to buy auto parts from an Acklands warehouse. This program will make some marginal locations more profitable to Acklands while reducing inventory carrying cost and demands on our management.

[Above] Daniel Fong, a Consumer Products salesman, demonstrates a tractor for an Acklands' customer.

[Below] Natalie DeLuca is one of many Acklands' employees who assure prompt customer service.

[Opposite] John Mongillo sorts out water pumps prior to re-manufacturing.

Acklands

Inventories Checked — Acklands' largest single investment is in inventory. The broad range of products needed to service today's complex automobiles and the rapidly growing needs of Canadian industry require a commitment to inventory which is necessarily greater than most other forms of merchandising. Management realizes that more effective measures for better inventory control are needed, but as a national "supermarket" for automotive and industrial products, Acklands must continue to carry slow-moving products to service its customers. Also, the peculiarity of two-step distribution in the automotive aftermarket ... from warehouse to automotive jobber to dealer ... necessitates inter-company product movement without actual sales turns until the goods reach the repair level. Despite this, considerable progress was made towards reducing Acklands' stock position.

During the year, excess inventory and inventory surplus resulting from closed operations, were moved to central warehouses for return to manufacturers or redistribution. In the first six months of 1976, more than $1 million of product was returned to the Vancouver central warehouse alone. As mentioned, several warehouse distribution centres have been merged and this consolidation of stock will yield savings. During 1976, an extensive review of product lines was

"... Acklands is focusing a larger share of its attention, energy and resources on the automotive aftermarket..."

undertaken and, in some cases, duplicate lines have been dropped. This is resulting in more intensive promotional efforts for leading lines, thereby increasing sales and reducing inventories.

Providing a high level of customer service while realizing a greater return on investment means better inventory management. This is a goal which Acklands will continue to work towards.

Transportation Improved — Acklands has completed a company-wide review of transportation and changes are being made throughout the entire system. Considerable savings are expected as a result of more efficient methods of transportation. Customer service and warehouse delivery to outlying branches have also been upgraded. Daily delivery is now the norm throughout Acklands.

A Stronger Acklands

Out of this period of reassessment and consolidation has come the momentum for a return to the energetic, profitable growth which has characterized the company in the past decade. The corporate strategy designed to sustain this momentum has three main components.

First, Acklands is focusing a larger share of its attention, energy and resources on the automotive aftermarket and the related industrial supplies and equipment industry. These are the company's most dynamic, profitable and secure sources of business. In 1976, automotive parts and industrial supply business accounted for 77.3 percent of sales, up from 72.6 percent the year before. The company's long-term goal is to have 90 percent of sales in this product group.

The potential for growth in the automotive aftermarket is enormous. It is an industry our management knows well and in which Acklands has a proven record. A more detailed analysis of the opportunities and our approach to this market are included under Operations Review.

Secondly, the company is broadening its scope of merchandising. The development of private brand automotive products — under the Echo Label — has been successful and this program is being expanded. An Echo catalogue has been introduced featuring nearly 100 private label items and a national advertising campaign has been launched. Equipment repair facilities have also been established in major cities to service the Echo line. Our fast-growing National Accounts operation, which sells auto parts and accessories to large retail chains, offers exciting merchandising opportunities. Westward Distributors, our importing arm, has had considerable success opening up new markets for hand tools and industrial equipment, as well as expanding its range of products. Westward's U.S. subsidiary, Peerless International, contributed a strong performance in 1976 and market coverage has been substantially broadened.

There will be much more emphasis on these and similar merchandising efforts over the next several years.

Third, there will be greater stress on automated management techniques. During 1976, the company created a six man Information Services Department with responsibility for computer planning and data systems. As Acklands grows larger, the need for instantaneous information increases. Acklands will be allocating more time and money to the development of improved data processing systems with emphasis on inventory mix and stock levels.

Changes in Management

Last year, Mr. Herman Kahn, Managing Director of the New York investment banking firm of Lehman Brothers, was newly elected as a Director of Acklands. This year, management has

Acklands

nominated as Directors, Mr. Simon Reisman, former Federal Deputy Minister of Finance, Mr. Donald Carr, Q.C., a prominent Toronto lawyer and Mr. Norman Peden, an Acklands executive of 24 years, for consideration by the shareholders.

Expansion of the company has led to the promotion of Mr. Arnold Glass to the position of Vice-President, Finance, Mr. David Craig to the post of Vice-President, Credit and Mr. Leonard Kenna to Vice-President, Special Projects.

Outlook for 1977

The general consensus for Canada's economy during 1977 is slower growth, higher unemployment and moderating inflation. This scenario offers little improvement over last year's business environment. Nonetheless, the general business climate could improve. Many commentators expect that profit controls will be lifted or softened and that corporate earnings will therefore rise. Several surveys point to higher capital spending in anticipation of an early end to the A.I.B. legislation. The chances are also good that Ottawa will introduce cuts in both sales taxes and personal income taxes later this year, which would stimulate consumer and business expenditures.

Acklands' profits should be higher this year on the strength of tighter, more efficient operations, despite the lacklustre economy. If controls are lifted, capital spending recovers and taxes are cut, the improvement could be significant. However, uncertainty calls for caution, especially in the face of a possible continuation of labour strife which has proved to be disruptive to Acklands in the past two years.

The outlook for auto parts and accessories is generally bullish. The industrial supplies and equipment product group should show better results because of streamlining of operations undertaken last year.

Sales and profits in the leisure products group could recover somewhat with the introduction of new lines and an upturn in consumer confidence. Expanded advertising campaigns by suppliers will help consumer electronics sales while the consolidation of industrial electronics outlets should lead to better profits during the year.

We would like to express our thanks to shareholders, employees, suppliers and customers for their continued support during a difficult period. Now that 1976 is behind us, let us look forward to a more prosperous future. By working together, it is surely within our reach.

Hyman Bessin

HYMAN BESSIN
Chairman of the Board

Nathan Starr

NATHAN STARR
President

Winnipeg, Canada
February 16, 1977

"Management's objective is to restore the upward trend in performance levels and maintain consistently greater returns to shareholders."

Financial Review

Financial Goals

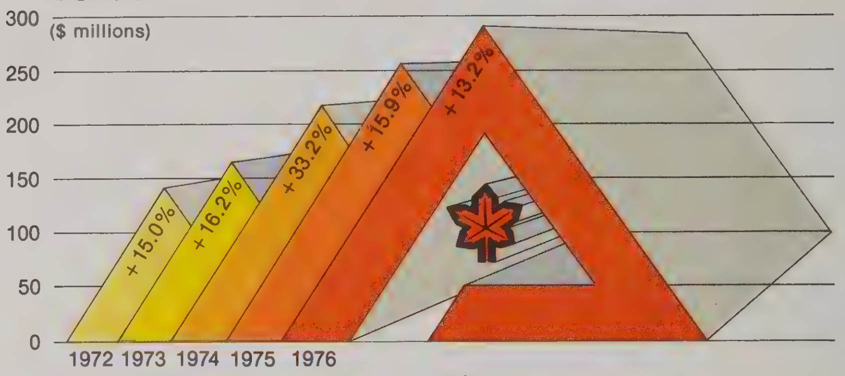
Two important ratios for measuring profit performance declined considerably last year — return on common shareholders' equity and return on invested capital.

In the four years prior to 1976, return on common shareholders' equity averaged 18.8 percent. In the year under review, this ratio dropped to 7.4 percent. Return on invested capital from 1972 to 1975 averaged 20.1 percent. This ratio fell to 12.6 percent in 1976. Total invested capital in 1976 was $139.6 million, compared with $135.6 million in the previous year. Acklands defines total capital invested as stockholders' equity, plus all interest-bearing debt including minority interest and deferred taxes. Income is defined as income from operations before tax and before interest payments.

Management's short-term objective is to restore the upward trend in performance levels demonstrated in prior years, and in the longer term to maintain consistently greater returns to shareholders.

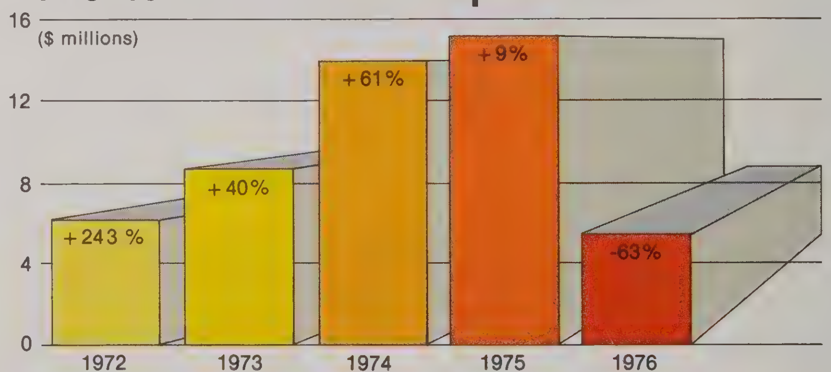
Management recognizes that this is not an easy task, it will require strict financial policy, a more aggressive selling effort and tighter expense control. Several key financial areas have to be improved. One of these is asset management. Asset turnover, which relates sales to average assets, was 1.6 last year. Acklands believes that by eliminating products which do not provide an adequate return and through a

Sales*



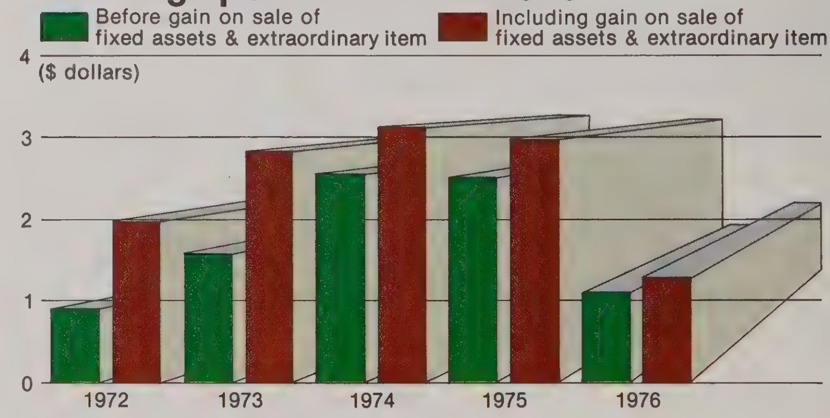
*Before eliminating sales of closed branches

Pre-Tax Income from Operations*

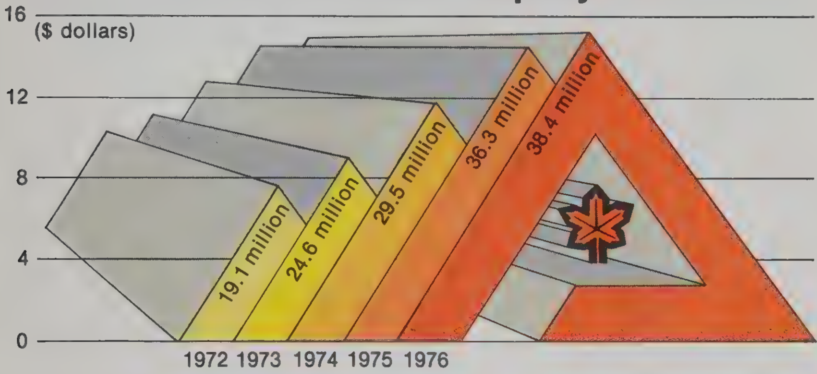


*Before gain on the sale of fixed assets and extraordinary item

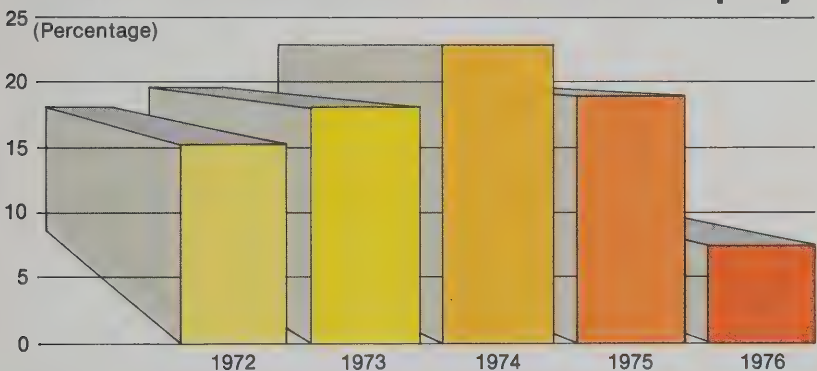
Earnings per Common Share



Common Shareholders' Equity Total and Per Share

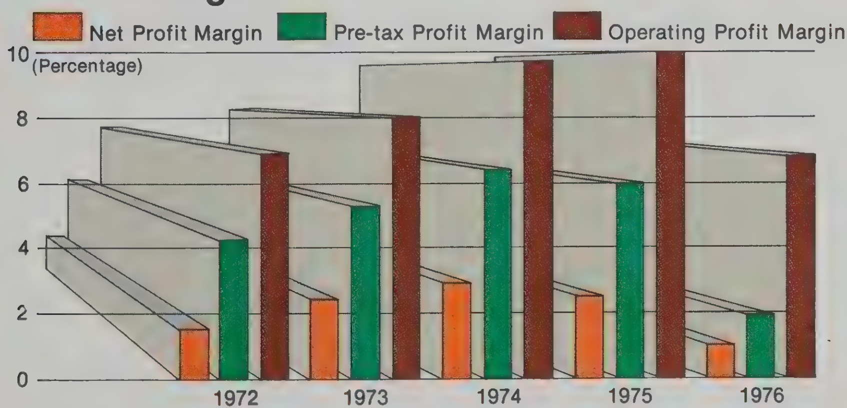


Return on Common Shareholders' Equity*



*Before gain on sale of fixed assets and extraordinary item

Profit Margins*



*Before eliminating sales and selling costs of closed branches and before gain on the sale of fixed assets and extraordinary item.

close analysis of financial allocations, better operating efficiency will result. This will necessitate a careful on-going review of product lines and operations.

Sales

Management elected to eliminate results of closed branches and report sales for on-going operations only, because this would represent a more consistent method of comparison with future years.

Although Acklands attained record sales in 1976, demand was generally weak for all product groups. Volume was up 13 percent to $289.2 million but budgeted sales were not achieved. Of the $33.8 million sales gain, approximately $28.0 million was the result of acquisitions. Loss of major product franchises during the year resulted in a sales reduction of about $7.5 million. The net result, excluding acquisitions and lost franchises, was an internal sales gain of approximately $13.3 million, or five percent. Estimated overall price increases averaged six percent. Adjusted sales for the year under review, after eliminating results of closed branches, were $279.3 million.

Gross Margins

The gross margin on sales rose slightly to 32.0 percent for the year, compared with 31.1 percent in 1975. The improved gross profit reflects a significant change in the company's sales mix. Automotive and industrial products accounted for 77.3 percent of sales, compared to 72.6

"... Acklands kept prices of all products at levels which were current at the start of the control period..."

percent in the previous year. These products yield a higher gross profit than either leisure or electronics.

In complying with inflation control regulations, Acklands kept prices of all products at levels which were current at the start of the control period and passed on only increases received from suppliers. Prices were not raised where there was not a corresponding increase in the cost of goods sold.

Operating Expenses

Operating expenses (before interest and depreciation) were up 37 percent, which is a dramatic acceleration in the upward trend of operating costs. Selling and administrative expense and wages each increased by about $10.0 million. Heavier advertising and promotional support was needed because of slack demand. The higher cost of doing business in an inflationary environment meant greater administrative expenses.

Interest Expense

Interest expense increased in 1976 by $3.4 million and amounted to $11.8 million. This was partially the result of a full year's interest on a $25 million bond issue sold in May of 1975. In addition, bank advances increased by $8.7 million; a higher level of short-term borrowing was required to support greater sales.
The company's interest expense reflects the high cost of money during most of the year. Interest expense on short-term funds varies with the prime commercial rate. This rate ranged from 9¾ percent to 10¼ percent in 1976, compared to 9 percent to 10½ percent during

Quarterly Pre-Tax Profit ($000's)*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1972	434	1,097	1,742	2,951	6,224
1973	924	1,746	1,951	4,089	8,710
1974	1,826	2,570	3,166	6,449	14,011
1975	2,152	2,952	2,996	7,147	15,247
1976	2,695	658	728	1,507	5,588

*Before gain on sale of fixed assets and extraordinary item

Quarterly Sales ($Millions)
Before eliminating sales of closed branches

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1972	28.0	35.6	36.0	42.8	142.4
1973	31.0	41.3	43.8	49.4	165.5
1974	40.4	55.8	59.4	64.8	220.4
1975	47.9	63.0	70.0	74.5	255.4
1976	57.3	73.1	72.3	86.5	289.2

Quarterly Dividends per Common Share

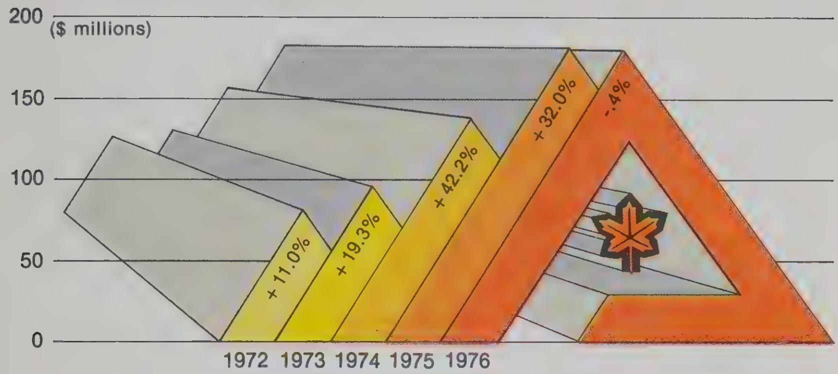
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1972	0	0	0	0	0
1973	0	.08	.08	.08	24
1974	.08	.08	.10	.10	36
1975	.12	.12	.12	.12	48
1976	.12	.12	.12	.12	48

Market Price of Common Shares

	1976		1975	
Quarter	High	Low	High	Low
First	15-1/8	14-1/8	13-3/4	11-1/4
Second	14-5/8	13-1/4	15	13
Third	13-3/4	12	17-1/2	14-1/4
Fourth	12-1/4	11-1/2	16-1/8	13-1/4

Acklands

Growth of Total Assets



1975. Through most of 1976 the prime rate stayed in the higher range. The opposite occurred in 1975 with the prime rate mostly at the lower level during the year.

Taxes

The company's effective tax rate for 1976 was 44.0 percent, down from the 1975 rate of 54.0 percent. The higher rate in 1975 was the result of losses sustained in operating units which, under income tax law, could not be deducted from profits of other subsidiaries. These losses were carried forward and applied to profits in 1976, partially accounting for the lower tax rate.

Net Income

Net income in 1976 was $3.5 million, or $1.28 per common share, down 55 percent from the $7.7 million earned in 1975. Major increases in operating expenses were the principal reasons for the decline. Gain on sale of fixed assets and an extraordinary item amounted to $457,000, or 18¢ per share. Earnings per share from operations were $1.10, down from $2.50 in 1975. Assuming full dilution, earnings per share from operations amounted to $1.00.

Dividends

During the year Acklands paid out 48¢ in dividends to common shareholders, at the rate of 12¢ per quarter. The company has increased dividends twice in four years, but the 1976 rate remained unchanged. Acklands recognizes its shareholders' need for profit distribution and will continue to review dividend policy in light of company profits.

Inventories

Year end inventories totalled $92.2 million — a $3.5 million increase over the previous year. A concerted effort was made during the year to reduce Acklands' investment in merchandise. There was modest improvement in specific products and in some marketing areas. Automotive and industrial stocks in British Columbia, Manitoba and Ontario were down at year end. This reduction in inventory was offset by increases in leisure, home entertainment and remanufactured products. Companies acquired during the year boosted inventory by $3.1 million. Acklands turned inventory over 2.5 times in 1976, a very slight improvement over 1975. Sales were 3.2 times average inventory — virtually the same as the previous year, but below the level attained in 1974.

Financial Position

Working capital for Acklands in 1976 declined by $5.8 million and at year end was $46.2 million. The ratio of current assets to current liabilities was 1.46: 1 in 1976 compared with 1.54: 1 in the previous year. The change in financial position reflected greater expenditures during a period of declining cash flow. Capital spending, for property and equipment, was $4.5 million, an increase of $1.5 million over the previous year. Dividends to shareholders were $1.5 million.

Capitalization at Year End

	$ Millions		Percent	
	76	75	76	75
Common equity	38.4	36.3	48.9	43.4
Preferred stock	3.7	4.1	4.7	4.9
Long-term debt	36.5	43.2	46.4	51.7
	78.6	83.6	100.0	100.0

Common shareholders' equity increased by $2.1 million after dividend payments, or nearly six percent, to $15.27 per common share. The net reduction on long-term debt amounted to $6.7 million and $500,000 of preferred stock was eliminated through purchases and conversion to common. Short-term lines of credit amounted to $55.5 million.

Acklands will attempt to improve the relationship between owners and lenders. Management's aim is to reduce total debt to a more conservative relationship to shareholders' equity.

"The automotive aftermarket represents one of the fastest-growing consumer markets in the North American economy."

Operations Review

Simply described, Acklands is a wholesale merchant for the finished goods of manufacturers. Nearly 97 percent of the company's business is in the field of warehousing and distribution. The balance of sales is derived from auto part re-manufacturing and machine shop operations. Acklands deals in four principal markets — automotive parts and industrial supplies, leisure, electronics and home entertainment.

The automotive aftermarket

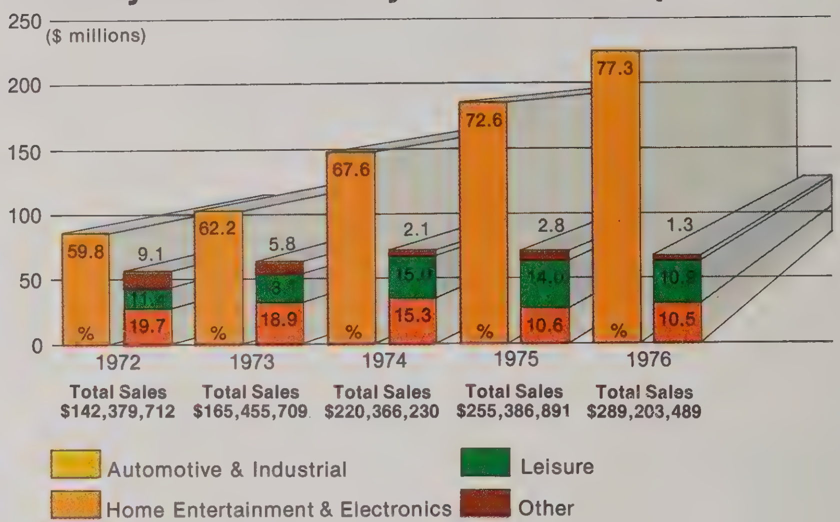
Acklands largest source of sales and profits is in auto parts. Last year, auto parts accounted for 55 percent of sales volume, or $158.7 million. Acklands is the largest single participant in the traditional aftermarket in Canada.

The automotive aftermarket represents one of the fastest growing consumer markets in the North American economy. It is also one of the least known and understood. Traditional distribution in auto parts is a four-step system: from manufacturer — to warehouse distributor — through a jobber — to a repair facility and then to the motorist. Acklands operates on two levels — as a warehouse distributor and an automotive jobber.

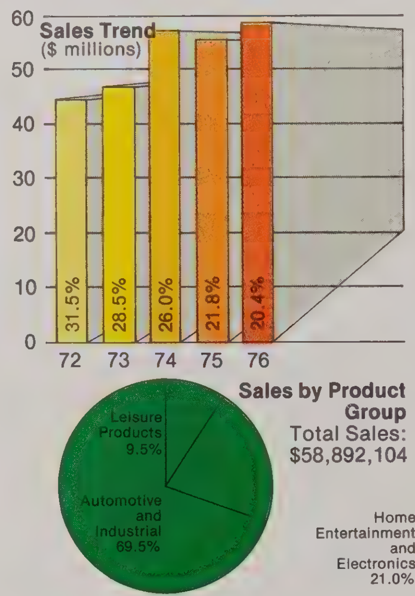
An Overview

The automotive aftermarket consists of sales of replacement

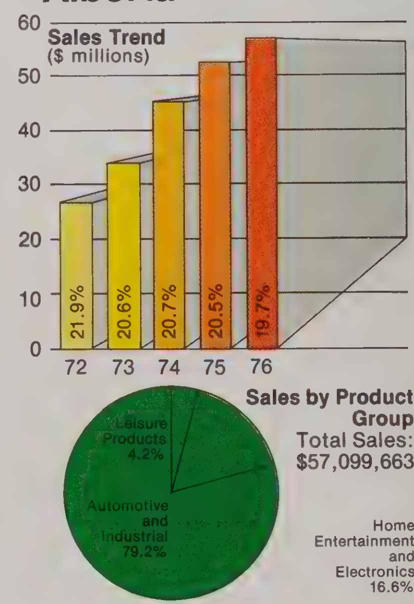
Analysis of Sales by Product Group



British Columbia

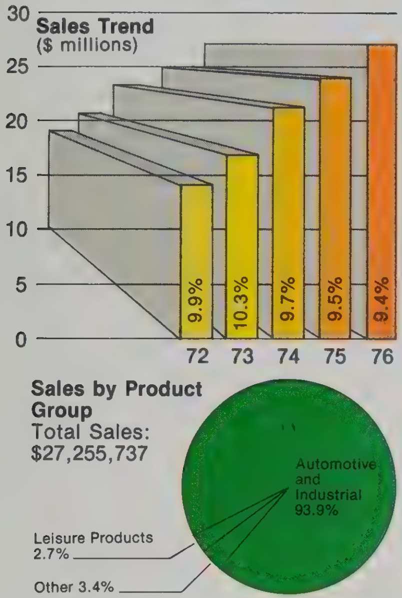


Alberta

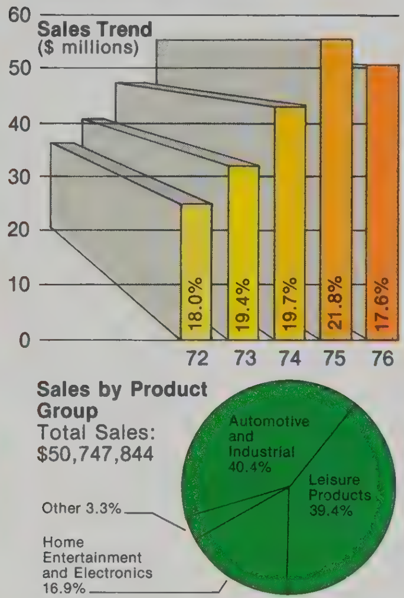


Acklands

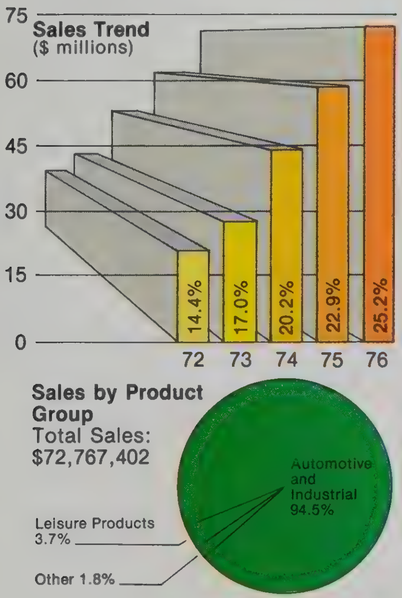
Saskatchewan



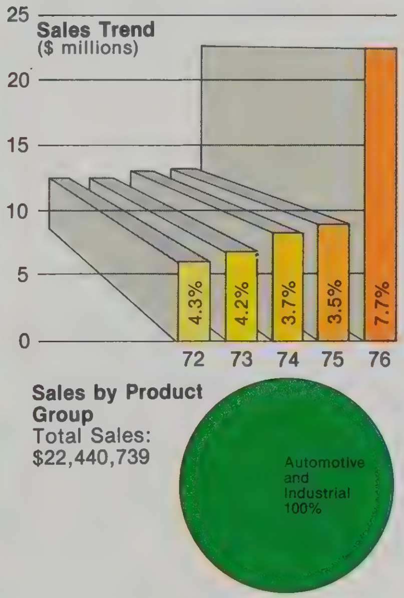
Manitoba



Ontario



Quebec



parts, accessories and service labour. The most current statistics available in Canada are for 1975 and indicate a total market of $14.0 billion at the retail level — over eight percent of Canada's Gross National Product and almost twice the value of yearly new vehicle sales. Nearly 12.5 million automobiles, trucks and motorcycles depend upon the aftermarket for parts and service, as well as a fast-growing number of tractors, snowmobiles, outboard engines, harvesters and other off-highway vehicles.

Parts and labour are sold to consumers in five principal ways — by service stations and independent repair garages (31%); by new vehicle dealers (24%); by mass merchandisers (17%); by repair specialists (20%) and direct to commercial and fleet customers by wholesale jobbers (8%). Acklands services all these channels.

The largest share of the market is held by service stations and independent garages. For these retailers, the role of the wholesaler is crucial. Installers require immediate access to an incredible range of parts for the hundreds of different models which show up at their service bays. Few of them carry any significant inventory of their own. They turn to the jobber for instantaneous delivery, who in turn depends upon a warehouse distributor.

"... good times or bad, the automotive aftermarket has continued to grow for more than four decades."

The warehouse distributor's basic function is to service the automotive wholesale jobber. As a national W.D., Acklands supplies approximately 1,000 independent jobbers, 280 company-owned outlets and 200 associated or franchised jobbers. In turn, the automotive wholesale jobber services the 52,000 retail repair facilities in Canada, as well as industrial users and fleet operators.

The W.D.'s share of the aftermarket has tended to expand in recent years, because of the operating efficiency provided to the market; the function of stocking thousands of parts, bulk breaking, fast delivery and electronic data processing.

Growth Potential Enormous

Despite recessions, the total number of vehicles on Canadian roads has risen for more than 40 consecutive years. Mileage per vehicle has steadily increased and the number of parts used in the typical automobile has multiplied. In bad times, some maintenance work is deferred. In good times, old cars are scrapped in favour of new ones. But good times or bad, the automotive aftermarket has continued to grow for more than four decades.

Three factors are combining to accelerate the aftermarket's growth in the next decade — registrations, technology and energy prices.

New car registrations were up more than eight percent last year, despite the depressing effects of the A.I.B. on consumer confidence. Total vehicle registrations have been growing at an unprecedented rate. In 1973, the increase was seven percent, rising to eight percent in 1974, 9.4 percent in 1975, and an estimated five percent last year.

This expansion is expected to continue through to 1985 because of the number of people entering the 25 to 44 year-old age group, during which most household formations take place. It is this sector of the population which buys and uses cars most frequently. From 1950 to 1970, this age group increased at a relatively slow pace but from 1975 to 1985, it will grow by more than one-third. Soaring registrations in recent years reflect the shift in population.

Reinforcing this trend is the tendency to own more than one automobile. In the U.S., 48 percent of households owns two or more cars. In Canada, the proportion is half that — 24 percent. But in the past six years, the incidence of Canadian households owning two or more cars has increased by 45 percent.

Innovative technology is a second factor encouraging higher spending on auto parts and accessories. The technology of the automobile has evolved more in

Acklands

George Forzley
Senior Vice-President and
General Manager

[Left] Salesman, Ray Bramer, discusses Acklands' automotive product lines with service station operator Bob Weiss.

"Part of Acklands' success has been a willingness to open new locations in order to service large capital projects..."

the past five years than in the previous 20, primarily because of public pressure for improved safety, pollution controls and mileage. For example, the introduction of electronic modules into the automobile has created a new market which is likely to grow at a 40 percent annual rate from 1975 to 1980. Ignitions, spark advance, anti-skid and electronic exhaust gas recirculation systems are the principal areas of application. The result is the addition of entirely new functions which require maintenance.

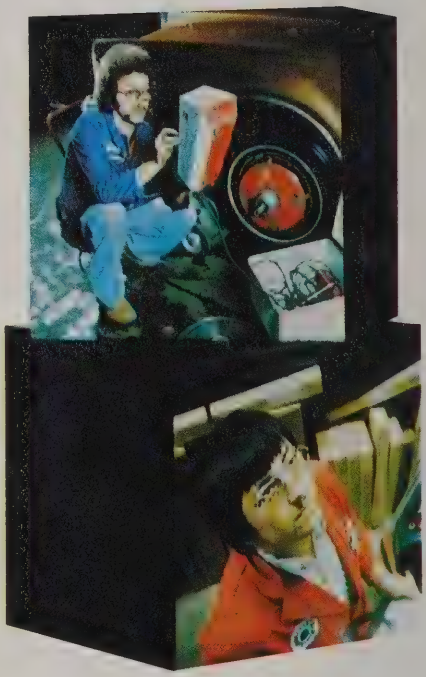
In some cases, new technology is replacing existing systems and reducing the rate of repair, but increasing the cost. For example, electronic ignitions last about two and one-half times longer than conventional systems but cost three and one-half times more. The impact on the aftermarket is therefore positive.

The direct contribution of technology to aftermarket sales is demonstrated by the catalytic converter, which was installed on 75 percent of all cars produced in 1975. This system is designed to last five years and costs about $150 to replace. Amortized over five years, the catalytic converter alone will increase average auto repair and maintenance costs by 10 percent.

A third factor boosting the aftermarket is the increase in gasoline prices. Research on consumer behaviour conclusively demonstrates that higher prices have led to better maintenance but not less driving. In the U.S., where more statistics are available, car use was up 3.4 percent in 1975 and 4.7 percent last year. A university study of consumer behaviour demonstrates that during a twelve-month period when gasoline prices rose 45 percent, mileage per vehicle actually increased. Surveys showed that motorists were maintaining their cars better and switching to more cost-efficient models.

The automobile is a necessary part of North American life and its use is relatively independent of economic conditions. With the substantial improvement in new car mileage now being realized, industry analysts project a continuing increase in mileage per vehicle, reinforced by more frequent maintenance.

Taking into account these trends, automobile manufacturers have projected real growth of 41 percent in aftermarket sales from 1974 to 1980. The Motor and Equipment Manufacturers Association estimates a 17 percent increase in sales volumes this year.



[Above] Paul Brown checks wheel balance after replacing tires in an Acklands auto service outlet.

[Below] Tony D'Eramo, a warehouse supervisor, fills an order for an Acklands customer.

[Opposite] Warehouse shippers, Jim Sime [left] and Larry Mountford, prepare and check a rebuilt engine before delivery.

Industrial supplies and equipment

Paper mills, steel plants, mines, construction sites and manufacturing have one thing in common — the need for prompt access to thousands of different products. Because Acklands has such broad geographical reach and carries such a wide range of product lines, industry has come to refer to the company as Canada's "supermarket" for industrial supplies and equipment. Industrial product sales volume was $64.7 million in 1976, or 22.4 percent of total company sales.

Part of Acklands' success has been a willingness to open new locations in order to service large capital projects, such as the James Bay Hydro Electric development in Quebec and the coal mines starting up in Elkford and Hanna, Alberta. The company has followed drilling crews north into the Arctic and branches have been established to supply new petrochemical plants, refineries and hydro-electric facilities in Western Canada. If the Mackenzie Valley Pipeline is approved, Acklands will be there to provide the necessary supplies and equipment to complete the project.

Industrial supplies are a natural complement to automotive parts. Warehousing, techniques of distribution and customers are similar. Many of Acklands automotive parts distribution centres and jobber outlets are ideally located to stock industrial products for their local markets. This combination helps increase the sales efficiency and profitability of the entire system.

Unlike auto parts, however, the demand for industrial supplies and equipment is cyclical and it is especially sensitive to capital spending. In 1976, this relationship resulted in a serious decline in demand. Canada's wholesale trade in industrial goods actually fell during the year.

However, Acklands' private brand industrial products, under the Westward label, had a successful year. Westward Distributors, the company's importing arm for private label tools and equipment, expanded into Quebec City, adding a new distribution outlet to its network, which now includes warehouses in Vancouver, Edmonton, Saskatoon, Winnipeg, Toronto and Montreal.

Hand tools are the most successful of Westward's many product lines and this division is the largest importer of these items in Canada. Westward's product line was expanded again last year with the addition of new woodworking tools, torque wrenches and screwdrivers. Special emphasis is being placed on the development of a complete line of metric tools which should enjoy strong demand in the next several years as the process of metric conversion intensifies.

The near-term outlook for industrial supplies and equipment is mixed. Spending by the primary industrial sector on repairs and maintenance is on the rise in British Columbia, reversing the negative trend of 1976. The Alberta market has led the company in sales and profit performance over recent years and strong demand from industry is expected to continue in the current year. Corporate profits in Canada are expected to rise this year by five percent or more and should help demand.

On the negative side, 48 percent of senior businessmen recently surveyed by the Conference Board in Canada said that it is not a good time to expand production capacity. The study concludes that capital spending will be down in the first six months of 1977. Capacity utilization in Canadian manufacturing declined in the fourth quarter of last year, a fact which supports this conclusion.

In addition, machine tool manufacturers expect lower sales after a poor 1976 which failed to meet expectations. As a distributor of machine tools, Acklands' sales will be adversely affected.

The most important consideration is Federal economic policy. Tax cuts combined with a relaxation of A.I.B. profit guidelines could provide much-needed stimulus to the economy and boost industrial spending.

Acklands

Leisure products

The loss of important product lines affected the performance of Acklands' leisure products group in 1976; its share of Acklands' total sales declined to 10.9 percent. However, an extensive re-organization of B.C. and Ontario operations and the addition of new lines should help establish an upward performance trend.

To Acklands, leisure products are higher priced items, such as boats, bicycles, motorcycles and lawn and garden care equipment. Most of these products employ an internal combustion engine and complement Acklands' role in auto parts.

Sales of small tractors and farm implement equipment are accounting for an expanding proportion of this division's business. Acklands has been successful in capturing a growing share of the Canadian market for these products.

Prospects for boat sales are encouraging. Ownership of boats has been rising steadily in Canada during the past ten years, but only 14 percent of all households currently have one. The sales potential is considerable, especially with Acklands' broadly based distribution system. Another important addition to Acklands' leisure products is a new line of snowmobiles, which has been well accepted despite entering the market only a few months ago.

Demand for leisure products is very cyclical in nature and highly sensitive to both consumer confidence and the state of the economy. Recent surveys of consumer buying intentions indicate that purchases of expensive consumer goods are not likely to continue upward in 1977. Although optimistic about inflation, consumers are concerned about unemployment and wage increases. A substantial decline in personal disposable income which occurred in the third quarter of 1976 has also shaken confidence and encouraged more conservative buying intentions.

Overall, the leisure products group should enjoy better results in 1977 but markets will be competitive. Undoubtedly a more aggressive selling effort will be needed.

Electronics products

Last year, total consumption in Canada of electronics products increased by only eight percent — the same rate as inflation. Considering that sales actually fell in 1975, the recovery of 1976 was disappointing. Home entertainment products barely returned to 1974 sales levels despite price increases.

A cautious attitude among consumers and industrial buyers was the main factor dampening demand. For Acklands, sales of colour televisions were up and industrial customers increased their purchases despite generally lower spending patterns for all goods and services. On the Industrial side, earnings were down primarily because of re-organization, which resulted in the closing of electronics branches in British Columbia and amalgamation of these operations with the Alberta division. Profit from the sale of T.V.s and audio equipment increased from the year before.

Acklands' home entertainment and electronics product group contributed $30.4 million or 10.5 percent of company sales, about the same as 1975.

Acklands Limited

(Incorporated under the laws of Manitoba)

Consolidated balance sheet

As at November 30, 1976

Assets

	1976	1975
Current Assets		
Cash	$ 5,233,644	$ 9,742,921
Accounts receivable	49,558,721	49,988,977
Inventories	92,194,262	88,706,567
Prepaid expenses	188,716	134,037
	147,175,343	148,572,502
Other assets		
Investment in 50% owned companies	1,211,768	899,265
Mortgage and lien notes receivable and other investments, at cost	1,545,579	1,190,714
	2,757,347	2,089,979
Fixed Assets (note 2)		
Land, buildings, equipment and leasehold improvements	43,574,795	42,429,901
Less accumulated depreciation	14,155,600	12,663,734
	29,419,195	29,766,167
Intangibles		
Deferred expenses	449,154	496,842
Goodwill	635,107	314,785
	1,084,261	811,627
	$180,436,146	$181,240,275

Approved by the Board

Nathan Starr, Director

George Forzley, Director

Acklands

Liabilities

	1976	1975
Current Liabilities		
Bank advances (note 4)	$ 55,540,000	$ 46,882,000
Accounts payable and accrued liabilities	38,368,948	37,605,342
Income and other taxes payable	2,135,409	7,751,879
Deferred revenue	347,154	296,894
Principal due within one year on long-term debt	4,540,425	3,976,160
	100,931,936	96,512,275
Long-Term Debt (note 5)	36,508,127	43,192,561
Deferred Income Taxes	744,855	910,030
Interest of Minority Shareholders in Subsidiary Companies	138,585	156,026

Shareholders' equity

Capital Stock (note 6)	15,576,023	16,039,869
Contributed Surplus	597,793	510,706
Retained Earnings	25,938,827	23,918,808
	42,112,643	40,469,383
	$180,436,146	$181,240,275

Contingent Liabilities and Commitments (note 7)

Auditors' report

To the Shareholders of
Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited as at November 30, 1976 and the consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at November 30, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.

Chartered Accountants

Winnipeg, Canada
February 16, 1977

Consolidated statement of income

Year ended November 30, 1976

	1976	1975
Sales	$279,302,612	$239,775,946
Cost of sales, selling and administrative expenses before the following	256,463,569	212,426,139
	22,839,043	27,349,807
Deduct		
Depreciation	1,903,882	1,601,259
Interest on long-term debt	4,597,724	3,265,894
Other interest	7,221,117	5,128,984
Amortization of goodwill	283,546	162,771
Remuneration of directors and senior officers	1,191,788	1,218,514
	15,198,057	11,377,422
	7,640,986	15,972,385
Gain on sale of fixed assets	289,463	1,100,328
Losses of closed branches (sales $9,900,877; $15,610,945 in 1975) (note 11)	2,052,912	724,617
	(1,763,449)	375,711
Income before income taxes and extradorinary item	5,877,537	16,348,096
Income taxes		
Current	2,962,561	8,042,992
Deferred (reduction)	(389,825)	718,965
	2,572,736	8,761,957
Income before extraordinary item	3,304,801	7,586,139
Income tax reduction realized on the application of prior years' losses	167,673	129,025
Net income	$ 3,472,474	$ 7,715,164
Earnings per share (note 8)		
Income before gain on sale of fixed assets and extraordinary item	$1.10	$2.50
Gain on sale of fixed assets	.11	.44
Income before extraordinary item	1.21	2.94
Net income	1.28	2.99

Acklands

Consolidated statement of retained earnings

Year ended November 30, 1976

	1976	1975
Balance at beginning of year	**$23,918,808**	$17,658,232
Net income	**3,472,474**	7,715,164
	27,391,282	25,373,396
Deduct		
Dividends on		
Second preference shares	**244,859**	253,862
Common shares	**1,207,596**	1,200,726
	1,452,455	1,454,588
Balance at end of year	**$25,938,827**	$23,918,808

Consolidated statement of contributed surplus

Year ended November 30, 1976

	1976	1975
Balance at beginning of year	**$ 510,706**	$ 489,782
Discount on purchase and cancellation of preference shares	**87,087**	20,924
Balance at end of year	**$ 597,793**	$ 510,706

Consolidated statement of changes in financial position

Year ended November 30, 1976

	1976	1975
Working capital derived from		
Operations	$ 4,966,373	$ 8,928,937
Proceeds from sale of fixed assets	4,593,684	2,334,207
Paid-in capital on the conversion of second preference shares	530	5,529
Issue of common shares on conversion of debentures	1,000	473,000
Reduction of mortgages receivable and other investments	61,500	134,257
Increase in long-term debt	875,000	29,432,355
	10,498,087	41,308,285
Working capital applied to		
Additions to fixed assets	4,543,647	2,999,919
Reduction of long-term debt	7,925,133	15,443,657
Dividends	1,452,455	1,454,588
Investment in 50% owned company	25,627	50,000
Purchase of minority interest in subsidiary companies	17,738	10,544
Deferred expenses		523,402
Purchase of second preference shares	378,289	107,076
Acquisition of businesses less acquired working capital of $314,932 ($2,551,700 in 1975) (note 3)	1,603,101	3,497,327
Increase in mortgages receivable and other investments	368,917	316,554
	16,314,907	24,403,067
Increase (decrease) in working capital	(5,816,820)	16,905,218
Working capital at beginning of year	52,060,227	35,155,009
Working capital at end of year	$46,243,407	$52,060,227

Acklands

Notes to consolidated financial statements

Year ended November 30, 1976

1. **Accounting Policies**

(a) Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies, all of which are wholly-owned with the exception of minority interest in preferred shares of two subsidiaries and a small minority interest in common shares of one subsidiary. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of acquisition and are accounted for as purchases.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Investment in 50% owned companies

It is the company's practice to include in income its equity in net earnings of companies 50% owned and to reflect in the investment account its equity in undistributed earnings.

(d) Fixed assets

All fixed assets are stated at cost. Depreciation has been recorded on a basis to amortize the cost of fixed assets over their estimated useful lives and the rates applied are substantially as follows

Buildings	2% Straight-line
Equipment, other than automotive	10% Straight-line
Equipment, automotive	30% Diminishing balance
Leasehold improvements	Over the unexpired terms of the lease

(e) Deferred expenses

The costs of issuing the 11½% First Mortgage Bonds, Series B, and the cost of acquiring certain leasehold rights have been deferred. These costs are to be amortized on a straight-line basis as a charge against income over the terms of the debt and the lease respectively.

(f) Goodwill

The excess of the cost over the net identifiable asset values, designated as goodwill, is recorded as an asset and amortized on a straight-line basis as a charge against income over periods not exceeding forty years.

(g) Income taxes

Deferred income taxes arise from claiming depreciation and other items for tax purposes in amounts differing from those recorded in the accounts.

2. **Fixed Assets**

	1976			1975
	Cost	Accumulated depreciation	Net	Net
Land	$ 4,541,244		$ 4,541,244	$ 4,804,728
Buildings	21,332,275	$ 4,131,961	17,200,314	18,362,381
Equipment	15,031,709	9,101,744	5,929,965	5,177,653
Leasehold improvements	2,669,567	921,895	1,747,672	1,421,405
	$43,574,795	$14,155,600	$29,419,195	$29,766,167

3. **Businesses acquired**

Pursuant to purchase agreements completed in the current year, net assets of companies engaged in the automotive aftermarket have been acquired for a total consideration of $1,918,033. These acquisitions are accounted for as follows

Net assets acquired, at assigned values		
Current assets	$4,223,497	
Fixed assets	1,317,484	
Mortgages and other investments	47,448	$5,588,429
Current liabilities	3,908,565	
Long-term debt	365,699	4,274,264
		1,314,165
Excess of cost over assigned values of net assets acquired (goodwill)		603,868
		$1,918,033

Businesses acquired (continued)

Consideration given at fair value	
Cash	$1,218,033
Issue of notes payable	700,000
	$1,918,033

4. Bank Advances

Bank advances are secured by the assignment of accounts receivable, a first floating charge on inventories and a junior floating charge on other assets.

5. Long-Term Debt

	1976	1975
Acklands Limited		
7% Note		$ 50,000
10% Notes, payable $83,333 January 18, 1977	$ 83,333	166,666
Term bank loan, with interest at prime bank rates, payable $901,028 March, 1977	901,028	1,300,000
7% Notes, payable $182,187 December 31 and June 30 annually to 1977	546,562	910,938
Notes payable, with interest at prime bank rates, payable $275,000 on the last days of December, March, June and September, with a final payment of $120,095 on March 31, 1978	1,495,095	3,552,410
6% Notes, payable $20,000 May 31 annually to 1978	40,000	60,000
9% Notes, payable $25,000 December 1, 1977 and 1978	50,000	100,000
Note payable, with interest at prime bank rates, payable $140,000 April 7 annually to 1981	700,000	
8½% Notes, payable $16,071 quarterly commencing June 30, 1977, with the balance payable June 30, 1984	450,000	450,000
7½% Unsecured Convertible Debentures, Series A, maturing June 15, 1988, having a sinking fund requirement of $500,000 per annum	7,281,000	7,430,000
11½% First Mortgage Bonds, Series B, maturing May 15, 1990, payable $1,600,000 May 15 annually to 1980 (see below)	23,400,000	25,000,000
Subsidiaries		
6% to 11¾% Mortgages, agreements and notes payable in monthly instalments	6,101,534	8,148,707
	41,048,552	47,168,721
Less principal included in current liabilities	4,540,425	3,976,160
	$36,508,127	$43,192,561

Principal due within each of the next five years is as follows

1977	$4,540,425
1978	3,032,595
1979	3,012,419
1980	2,508,523
1981	2,517,548

Each holder of 11½% First Mortgage Bonds may tender such bonds for maturity on May 15, 1980 at its option if an irrevocable election is made by such holder after May 15, 1979 but before November 30, 1979. The effect of bondholders making such an election has not been reflected in the principal payments due in 1980. After May 15, 1980, principal payments equal to 6.4% on the then outstanding principal are required.

Acklands

6. Capital Stock

(a) Authorized and issued

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Non-voting second preference shares issuable in series	855,947	$13,695,152		
Series A $0.96 Cumulative, convertible and redeemable at $17.00 per share	259,080	$ 4,145,280	258,586	$ 4,137,376
Deduct				
Converted to common shares during the year	530	8,480	530	8,480
Purchased for cancellation during the year	29,086	465,376	29,086	465,376
	29,616	473,856	29,616	473,856
	229,464	$ 3,671,424	228,970	$ 3,663,520
Common shares without par value	3,862,769	$13,380,318	2,517,358	$11,902,493
Add issued on conversion of 7½% Unsecured convertible debentures			70	1,000
Second preference shares	530	9,010	530	9,010
	3,863,299	$13,389,328	2,517,958	$11,912,503
				$15,576,023

(b) Common shares reserved for issue

	Expiry date	Price	Number of common shares reserved
Upon conversion of 7½% Unsecured convertible debentures, Series A	June 14, 1981	$14.28	509,670
On exercise of share purchase warrants	September 1, 1978	$14.29	45,000
			554,670

7. Contingent Liabilities and Commitments

(a) Conditional sales agreements assigned with recourse and other guarantees total $12,283,537 of which $10,865,537 is outstanding at November 30, 1976.

(b) Outstanding bank letters of credit amount to $3,108,819.

(c) The companies have commitments under leases extending through 1999 which, after recoveries from sub-tenants totalling $1,135,478 call for future net rentals of approximately $11,174,667. Net rentals for each of the next five years are as follows

1977	$2,434,651
1978	2,151,731
1979	1,493,761
1980	1,001,061
1981	739,034

(d) In 1975, the company amended the benefits under its pension plan. These amendments have given rise to an unfunded past service liability of approximately $4,357,360 which will be paid and charged to income over a fifteen year period.

8. Earnings Per Share

(a) The calculation of basic earnings per share, after adjusting for second preference share dividends, has been made using the weighted monthly average number of common shares outstanding in each year.

(b) Fully diluted earnings per share for 1976 are as follows

Income before gain on sale of fixed assets and extraordinary item	$1.00
Gain on sale of fixed assets	.09
Income before extraordinary item	1.09
Net income	1.14

In calculating fully diluted earnings per share the weighted monthly average number of common shares outstanding has been calculated assuming

(i) full conversion of the convertible debentures and second preference shares on the dates of issue, and

(ii) the exercising of the outstanding common share purchase warrants on the dates of issue.

Net income used in this calculation, both before and including the extraordinary item, reflects a reduction in interest costs, imputed earnings on exercise of the common share purchase warrants, and the related effect on income taxes resulting from the above assumptions.

9. Income Taxes

In certain companies losses of $2,088,112 remain deductible in determining income taxes payable in future years as follows

Year of loss	Amount of loss	Date of expiry
1972	$ 111,398	1977
1973	14,013	1978
1974	163,422	1979
1975	1,188,582	1980
1976	610,697	1981
	$2,088,112	

In these companies, undepreciated capital cost of depreciable fixed assets exceeds net book value by $688,655.

The income tax effect of these matters has not been recognized in the accounts.

10. Anti-Inflation Act

The company is subject to the Anti-Inflation Act, as from October 14, 1975, which provides for the restraint of profit margins, prices, dividends and compensation. Management is of the opinion that the company has complied with the Act.

11. Comparative Figures

Losses of closed branches in 1975 include the operating results of branches closed in 1976 and 1975.

12. The Companies Act of British Columbia

These financial statements comply with the disclosure requirements of the Act of Incorporation (Manitoba Companies Act) and the securities legislation of certain provinces in Canada, but do not purport to comply with all disclosure requirements unique to the Companies Act of British Columbia.

Acklands

Five Year Financial Summary

	1976	1975	1974	1973	1972
***Sales**	**$289,203,489**	$255,386,891	$220,366,230	$165,455,709	$142,379,712
Depreciation	**1,903,882**	1,601,259	1,174,572	870,458	850,665
Interest on Long-Term Debt	**4,597,724**	3,265,894	2,384,372	2,014,383	1,321,993
Net Income					
Including extraordinary items	**3,472,474**	7,715,164	8,014,988	7,248,791	5,219,370
Before extraordinary items	**3,304,801**	7,586,139	7,385,078	5,676,268	3,051,645
Dividends					
Preference Shareholders	**244,859**	253,862	268,784	282,721	589,725
Common Shareholders	**1,207,596**	1,200,726	892,339	593,358	
Working Capital	**46,243,407**	52,060,227	35,155,009	35,334,259	33,512,851
Fixed Assets, net	**29,419,195**	29,766,167	19,884,378	15,533,445	14,425,869
Long-Term Debt	**36,508,127**	43,192,561	22,556,281	22,705,283	24,621,662
Shareholders' Equity	**42,112,643**	40,469,383	33,837,354	29,098,802	24,290,384
Total Assets	**180,436,146**	181,240,275	137,153,964	96,534,021	80,899,859
Earnings Per Common Share					
Including extraordinary items					
Primary	**1.28**	2.99	3.13	2.82	1.99
Fully diluted	**1.14**				
Before extraordinary items					
Primary	**1.21**	2.94	2.87	2.18	1.11
Fully diluted	**1.09**				
Dividends Paid Per Common Share	**.48**	.48	.36	.24	
Equity Per Common Share	**$15.27**	$14.43	$11.89	$9.91	$7.72
Common Shares Outstanding	**2,517,958**	2,521,908	2,478,719	2,478,439	2,469,269
Number of Branches	**332**	348	272	225	196

*Before eliminating sales of closed branches

Rosanne Aiello takes a customer's order and checks product availability on a computer.

Directory

Board of Directors

Philip Ashdown, Provincial Judge, Winnipeg
***Hyman Bessin,** Chairman of the Board, Toronto
Moshe Bessin, President, Mindy's Limited, Toronto
***Donald E. Boxer,** Director, Burns Fry Limited, Toronto
Michael H. Caine, Director, Booker McConnell Ltd., London, England
***Daniel W. Casey,** President, LBI (Canada) Ltd., Toronto
Jacques Douville, Director, Banque Canadienne Nationale, Montreal
***George Forzley,** Senior Vice-President and General Manager, Vancouver
Herman Kahn, Managing Director, Lehman Bros. Inc., New York
Dr. Nathan Schecter, Physician, Ottawa
***Nathan Starr,** President, Toronto
Samuel Wallin, Vice-President, Queen-Yonge Investments Ltd., Toronto
***Donald J. Wilkins,** Director, Burns Fry Limited, Toronto
***W. Frederick Wilks,** Retired Executive, Williamsville, New York

*Members of Executive Committee

Officers and staff

Hyman Bessin, Chairman of the Board
Nathan Starr, President
George Forzley, Senior Vice-President and General Manager
Norman A. Peden, Vice-President, Western Operations
Donald J. Dawson, Vice-President, Eastern Operations
Arnold Glass, Vice-President, Finance
Samuel H. Blank, Vice-President, Director of Corporate Purchasing
Blake E. Forrest, Vice-President, International Division
Lloyd Utigard, Vice-President and General Manager, Western Automotive Rebuilders
Harry C. Paul, Vice-President, H.C. Paul Limited
Vivian Daly, General Manager, H.C. Paul Limited
Leonard J. Kenna, Vice-President, Special Projects
John F. Driscoll, Manager, Corporate Affairs and Assistant to the President
Allan Ireland, Assistant to the Senior Vice-President, (Inventory Control)
Allan R. Smith, Assistant to the Senior Vice-President, (Merchandising)
David M. Craig, Vice-President, Credit
Leonard G. Walker, Manager, Internal Audit
Samuel N. Smilski, Comptroller
Victor A. Aker, Vice-President and General Manager, British Columbia
E. Roland Williams, Assistant General Manager, British Columbia
Douglas G. Cumming, Vice-President and General Manager, Alberta
Allan Strachan, General Manager, Southern Alberta
Robert Govenlock, Assistant to the General Manager, Alberta
Theodore Stokes, Vice-President and General Manager, Saskatchewan
Arnold Harbour, Assistant General Manager, Manitoba and North Western Ontario
Alex Kozma, Vice-President and General Manager, Ontario Industrial Division
Donald T. Langton, Vice-President and General Manager, Ontario Automotive Division
Andre Rousseau, Vice-President and General Manager, Quebec
Kiyo Nonomura, Merchandising Manager, Corporate Automotive Division
Wallace Greenspoon, Director of Marketing Services, Automotive and Industrial
Mark Anker, Manager, Machine Tool Division

Corporate data

Auditors
Thorne Riddell & Co., Winnipeg

Transfer Agents and Registrars
Common Shares
The Canada Trust Co.
Vancouver, Winnipeg, Toronto and Montreal

Second Preference Shares Series A and 7½ % Series A Debentures
The Crown Trust Company
Vancouver, Winnipeg, Toronto and Montreal

Counsel
Sokolov, Klein & Company, Winnipeg

Fiscal Agents
Burns Fry Limited, Toronto

Share Listings
Toronto, Vancouver and Winnipeg Stock Exchanges
Ticker Symbol: ACK

Head Office
125 Higgins Avenue, Winnipeg, Manitoba R3B 0B6
Telephone: (204) 956-0880

Executive Office
100 Norfinch Drive
Downsview, Ontario M3N 1X2
Telephone: (416) 638-7900

Executive Office

100 Norfinch Drive
Downsview, Ontario
M3N 1X2
Telephone (416) 638-7900

Major Affiliate Companies

Autolec
Canadian Electronics
Gillis & Warren
H. C. Paul
Major Appliances
Maurice Rousseau Et Cie
Modern Automotive Warehousing
Moto-Rite
Regent Automotive Products
Taylor, Pearson & Carson
Western Automotive Rebuilders
Western Warehouse Distributors
Westward Distributors